

Stock Market Basics

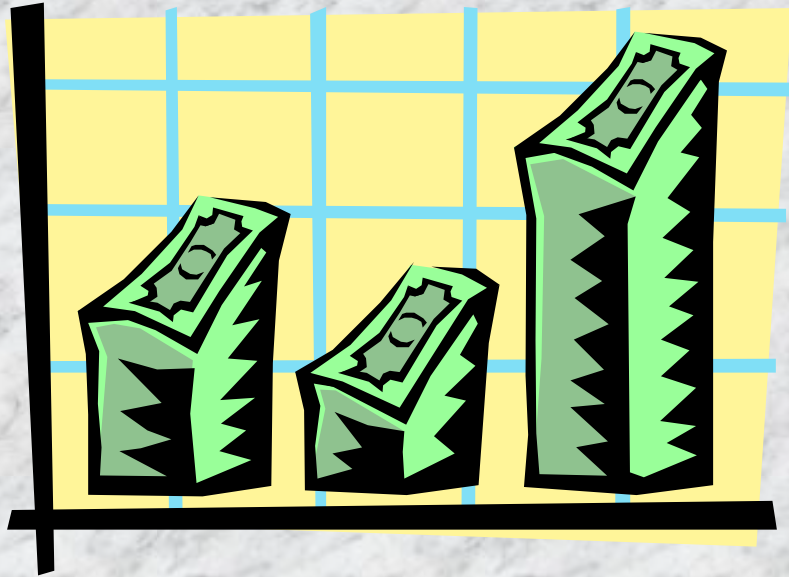
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Introduction



The stock market is an addition to a company's business. In this presentation we will show you how the stock market works, and why it is so risky.

What Is Stock?



- In the Stock Market, companies sell **shares** to the public. That means that the companies are actually selling power of the company to the public. If you buy 250 shares of a company with 500 separate shares, you own 50% of the company! When you own such a percentage of the company, you have a say in how the company is ran.

A Stock's Value



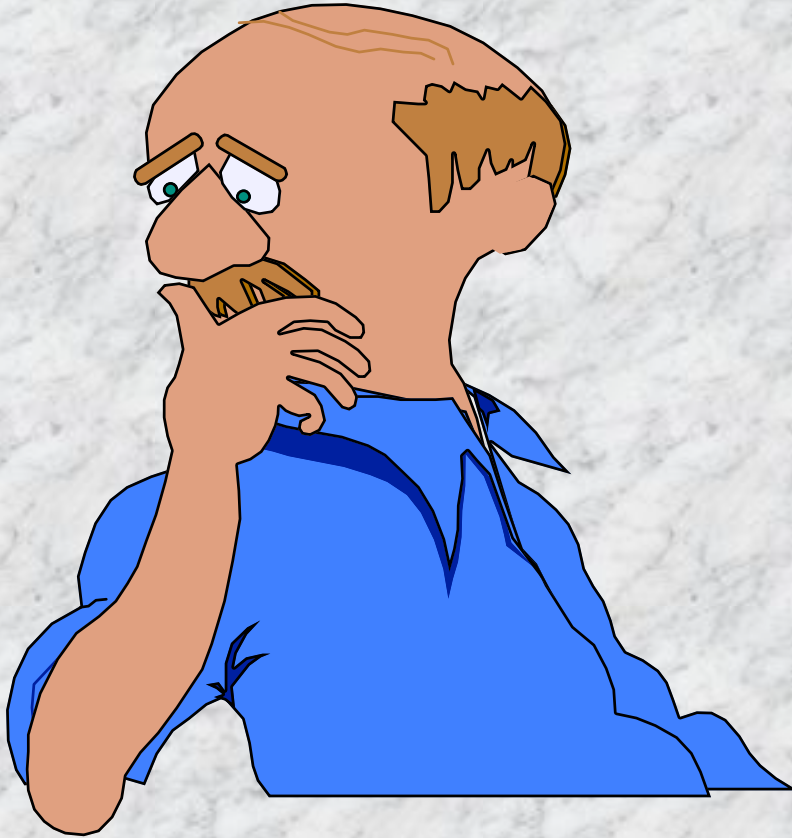
- When you own 1 share of a company (which has 500 shares total), you own .002 (.2%) of that company. That may not sound very big, but if that company is strong enough, that can be a lot of money! If the company is worth \$500,000, and there are 500 shares, each share is worth \$1,000; and that's a lot of money!

Before a company goes public



- Before a company sells stock shares, the company is **private**; this means that there is only one share. That one share is worth all of the company's earnings. That share is owned by the company's owner.

When a company goes public



- If the owner of a private company feels the need to sell stocks, the company announces that they will **go public**; this is pretty self-explanatory. The company's power will be distributed to the people.

When a company goes public



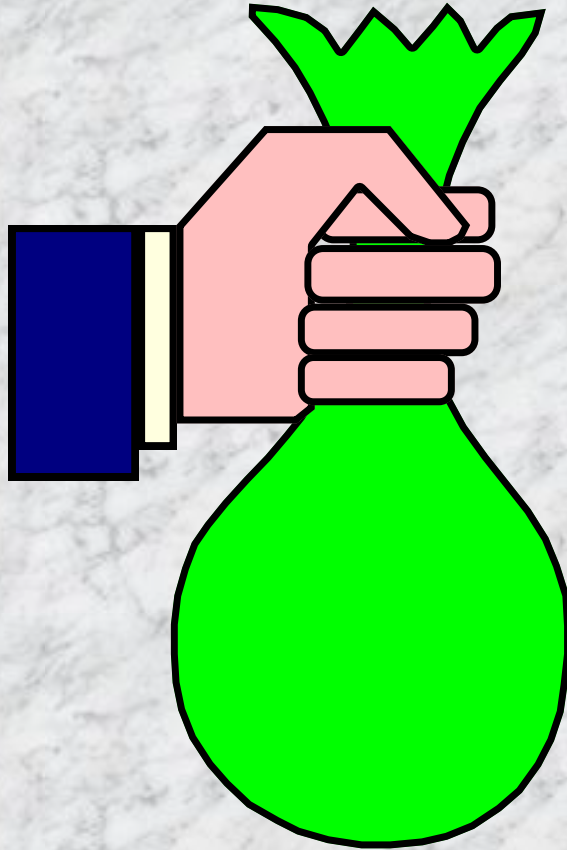
- When a company goes public, the owner of the company decides on how to split the company's power (how many shares to sell). When someone buys a share, the company gets that money, but can no longer use that share as power.

How Stocks Work



- Whenever someone buys a share, the company gets those proceeds. This adds to the company's value, making the price of each stock rise a little. When people sell their stock, the price per share goes down a little, contrary to people buying shares.

Selling Stocks



- A shareholder can sell his/her stock at any time. The owner gets however much money the shares were worth when s/he sold them.

The Unpredictable Stock Market



- The stock market is almost unpredictable. Sometimes, when a company introduces an interesting product, you can tell that the company will do well. But other than that, it may go down or up unexpectedly, making it hard to choose when to buy or sell. “Am I buying at a good time, or should I wait till it gets lower?”

The Risks



If you choose to be a share holder, consider the following:

- ★ Knowing a history of the company you're interested in, and seeking advice from a previous owner of that stock.
- 🕒 Buying at what seems like a “low moment.” This means, buy when the shares are low.
- 🕒 Remembering the general rule of the market, “Buy low, sell high!”

The Risks (cont.)



- 🕒 Asking an accountant, broker, or other specialist in the stock market.
- 🕒 Purchase stock in small amounts to avoid potential large losses.

Follow-up



So, in this slide show, we have covered:

- How a share's value is determined
- Buying and selling of stocks
- Before and after companies sell stock
- The risks of being a share holder